DEPARTMENT OF ENVIRONMENT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

2007-00159

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 2006 and the statements of operations and accumulated operating surplus (deficit), and changes in accumulated net expenditure (recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 26, 2006

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS	2006	2005 Restated (Note 11)
Current assets:		
Accounts receivable (Note 8)	$ 522,975	$ 1,339,443
Inventories	943,951	723,734
Non-current assets:		
Accumulated net recovery (Statement 3 and Note 8)	599,570	38,802
	2,066,496	2,101,979

LIABILITIES AND FUND EQUITY

Current liabilities:		
Accounts payable (Note 8)	896,162	987,827
Fund equity:		
Accumulated operating surplus (Statement 2)	1,170,334	1,114,152
	$ 2,066,496	$ 2,101,979

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS (DEFICIT)
For the Year Ended March 31

	Budget (Note 7)	2006 Actual	2005 Actual Restated (Note 11)
Revenues:			
Camping	$ 3,600,000	$ 4,004,303	$ 3,838,749
Cottage leases	2,150,000	1,930,535	1,923,964
Park entry	1,900,000	1,870,528	1,786,741
Other	400,000	698,861	488,360
Resource management leases	750,000	686,343	658,569
Commercial leases	450,000	424,552	435,050
Swimming and accommodation	400,000	376,104	351,383
Campfire permit fees	300,000	331,329	306,184
	9,950,000	10,322,555	9,789,000
Expenses:			
Salaries and benefits	9,557,000	9,628,330	9,077,059
Contractual services	2,050,000	2,440,120	2,269,052
Supplies and service	1,730,000	1,588,164	1,564,059
Travel and business	1,130,000	1,007,467	1,040,057
Communication	220,000	359,324	266,166
Equipment	320,000	16,029	27,093
Bad debt	-	130,512	111,405
Bank charges	60,000	81,957	76,330
Other	10,000	21,070	45,543
	15,077,000	15,272,973	14,476,764
Loss from operations	(5,127,000)	(4,950,418)	(4,687,764)
Subsidy from General Revenue Fund	5,127,000	5,006,600	4,950,000
Net income (Note 9)	$ -	56,182	262,236
Accumulated operating surplus, beginning of year		1,114,152	293,584
Adjustment for consumable inventory (Note 2 c)		-	558,332
Accumulated operating surplus, end of year (Statement 1)		$ 1,170,334	$ 1,114,152

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE (RECOVERY)
For the Year Ended March 31

	2006	2005 Restated (Note 11)
Financing (provided by) required for operating activities:		
Net income	$ (56,182)	$ (262,236)
Net decrease in working capital items related to operations (Note 5)	(504,586)	(27,524)
Net financing provided by operating activities	(560,768)	(289,760)
Net decrease in financing requirement	(560,768)	(289,760)
Accumulated net (recovery) expenditure, beginning of year	(38,802)	809,290
Adjustment for consumable inventory (Note 2 c)	-	(558,332)
Accumulated net recovery, end of year (Statement 1)	$ (599,570)	$ (38,802)

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development and management of provincial parks. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure (Recovery) and Note 5. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirements is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the net increase (decrease) in financing requirements for each fiscal year.

c) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of average cost and net realizable value. Beginning in 2004, the Revolving Fund started recording consumable inventory. Consumable inventory consists of equipment parts, fuel, grease, oil, cleaning supplies and firewood that are valued at most recent cost.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding

from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus (deficit) as $350,000.

5. Net Change in Working Capital Items Related to Operations

	2006	2005 Restated (Note 11)
Decrease in accounts receivable	$ (816,468)	$ (242,053)
Increase in inventories	220,217	531,055
Decrease (increase) in accounts payable	91,665	(316,526)
	$ (504,586)	$ (27,524)

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2006	2005 Restated (Note 11)
Expenses:		
Contractual services	$ 1,233,492	$ 1,218,330
Travel and business	771,862	801,051
Supplies and service	45,096	42,500
Equipment	363	648
Communication	-	600
Accounts payable	291,827	280,858

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Department of Environment is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instruments

Due to their immediate or short-term maturity, the fair value of accounts receivable and accounts payable approximates their carrying value.

The fair value of the accumulated net expenditure (recovery) has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An allowance for doubtful accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an allowance for doubtful accounts of $418,641 (2005 - $349,567).

9. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2006	2005 Restated (Note 11)
Net income	$ 56,182	$ 262,236
Increase in inventory	(220,217)	(531,055)
Adjustment for change in accounting policy (Note 2 c)	-	558,332
Adjustment for capital items (Note 11)	(322,434)	(467,493)
Amounts not included in Public Accounts due to timing	(52,721)	203,736
Net (expense) recovery reported in Public Accounts	$ (539,190)	$ 25,756

10. Comparative Figures

Certain of the 2005 comparative figures have been restated to conform to the current year's financial statement presentation.

11. Prior Period Adjustment

At March 31, 2004 the Revolving Fund transferred its capital assets to the General Revenue Fund at net book value. Subsequent purchases of capital assets greater than

the Government's capitalization thresholds were made by the Department of Environment. Assets less than these thresholds were acquired by the Revolving Fund and were expensed rather than capitalized. The Revolving Fund has adjusted this retroactively and transferred these assets to the Department of Environment effective March 31, 2006.

As a result, the financial statements for the year ended March 31, 2005 have been restated. The effect of this restatement has been to increase accumulated net recovery by $320,637, increase accumulated operating surplus by $467,493, and decrease accounts payable by $146,856 as at March 31, 2005. Also, equipment expense decreased by $467,493 and net income increased by $467,493 for the year ended March 31, 2005.